

Table 1: Program Expenditures Without 1115 Pharmacy Waiver, Population Aged 65+

	BASE YEAR (2001)	TREND RATE	YEAR 1 (2003)	YEAR 2 (2004)	YEAR 3 (2005)	YEAR 4 (2006)	YEAR 5 (2007)	5-YEARS	
Services for Aged 65 + Population									
Annual Equivalent Eligibles	141,015	5.00%	155,469.04	163,242	171,405	179,975	188,974		
Cost per person per year (Less: Drug Rebate)	\$ 13,111	5.50%	14,593	\$ 15,396	\$ 16,243	\$ 17,136	\$ 18,079		
Cost, Aged 65+	\$ 1,848,902,604		\$ 2,268,806,990	\$ 2,513,270,944	\$ 2,784,075,888	\$ 3,084,060,065	\$ 3,416,367,537	\$ 14,066,581,424	Demonstration Expenditure Cap

Table 2: Projected Program Expenditures With 1115 Pharmacy Waiver, Population Aged 65+

	BASE YEAR (2001)	TREND RATE	YEAR 1 (2003)	YEAR 2 (2004)	YEAR 3 (2005)	YEAR 4 (2006)	YEAR 5 (2007)	5-YEARS	
Services for Aged 65 + Population									
Annual Equivalent Eligibles	141,015	5%, Less Diverted Eligibles	147,969	147,867	147,761	147,649	147,531		Annual Diverted Eligibles
Cost per person per year (Less: Drug Rebate)	\$ 13,111	5.50%	14,593	\$ 15,396	\$ 16,243	\$ 17,136	\$ 18,079		7,500
Total Cost	\$ 1,848,902,604	Growth	\$ 2,159,357,207	\$ 2,276,558,425	\$ 2,400,037,251	\$ 2,530,120,801	\$ 2,667,152,228	\$ 12,033,225,913	
			NA	5%	5%	5%	5%		
armacy Expansion									
Annual Equivalent Eligibles		Assumes 4-Year Ramp-Up	156,928	208,320	237,228	250,076	256,500		Estimated Rate of Increase in 2001
Gross Cost Per Year	\$ 1,394	15%	\$ 1,844	\$ 2,121	\$ 2,439	\$ 2,805	\$ 3,225		8%
Gross Pharmacy Cost	\$ -	Growth	\$ 289,383,010	\$ 441,775,266	\$ 578,541,101	\$ 701,355,367	\$ 827,277,706	\$ 2,838,332,450	
			NA	53%	31%	21%	18%		
ss: Pharmacy Cost Offsets									
Individuals With Other Coverage (20% of pop. Receive \$25/mo)			\$ 48,460,922	\$ 75,855,853	\$ 101,474,540	\$ 125,266,513	\$ 150,065,541		20% of People with Coverage (less: \$25/mo)
Utilization Reduction Due To Cost Sharing (5%)		5%	14,469,150	22,088,763	28,927,055	35,067,768	41,363,885		
\$3 Copayments		3%	11,857,312	16,212,650	19,016,308	20,647,596	21,813,335		
Maximum Benefit Adjustment		\$1,750 Per Year	22,011,226	37,546,307	54,368,285	71,414,783	90,799,134		Threshold = \$1,750
Drug Manufacturers' Rebate		17%	38,496,999	58,451,210	76,183,716	91,973,585	108,094,207		
btotal - Pharmacy Cost Offsets			\$ 135,295,609	\$ 210,154,784	\$ 279,969,904	\$ 344,370,246	\$ 412,136,103		
Net Pharmacy Expansion Costs			\$ 154,087,401	\$ 231,620,482	\$ 298,571,197	\$ 356,985,122	\$ 415,141,602	\$ 1,456,405,804	
Subtotal With Waiver									
			\$ 2,313,444,608	\$ 2,508,178,908	\$ 2,698,608,448	\$ 2,887,105,923	\$ 3,082,293,830	\$ 13,489,631,716	
Net Savings			\$ (44,637,618)	\$ 5,092,036	\$ 85,467,440	\$ 196,954,142	\$ 334,073,707	\$ 576,949,707	

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Services for Aged 65 + Population								
Annual Equivalent Eligibles	141,015	5.00%	155,469.04	163,242	171,405	179,975	188,974	
Cost per person per year (Less: Drug Rebate)	\$ 13,111	5.50%	14,593	\$ 15,396	\$ 16,243	\$ 17,136	\$ 18,079	
Cost, Aged 65+	\$ 1,848,902,604		\$ 2,268,806,990	\$ 2,513,270,944	\$ 2,784,075,888	\$ 3,084,060,065	\$ 3,416,367,537	\$ 14,066,581,424
								Demonstration Expenditure Cap

Table 2: Projected Program Expenditures With 1115 Pharmacy Waiver, Population Aged 65+

	BASE YEAR (2001)	TREND RATE	YEAR 1 (2003)	YEAR 2 (2004)	YEAR 3 (2005)	YEAR 4 (2006)	YEAR 5 (2007)	5-YEARS	
Services for Aged 65 + Population									
Annual Equivalent Eligibles		5%, Less Diverted Eligibles	147,969	147,867	147,761	147,649	147,531		Annual Diverted Eligibles
Cost per person per year (Less: Drug Rebate)	\$ 13,111	5.50%	14,593	\$ 15,396	\$ 16,243	\$ 17,136	\$ 18,079		7,500
Total Cost	\$ -	Growth	\$ 2,159,357,207	\$ 2,276,558,425	\$ 2,400,037,251	\$ 2,530,120,801	\$ 2,667,152,228	\$ 12,033,225,913	
			NA	5%	5%	5%	5%		
Pharmacy Expansion									
Annual Equivalent Eligibles	135,000	Assumes 4-Year Ramp-Up	194,196	253,393	312,589	371,785	371,785		Estimated Rate of Increase in 2001
Gross Cost Per Year	\$ 1,394	15%	\$ 1,844	\$ 2,121	\$ 2,439	\$ 2,805	\$ 3,225		8%
Gross Pharmacy Cost	\$ 188,239,464	Growth	\$ 358,107,049	\$ 537,359,639	\$ 762,328,158	\$ 1,042,696,641	\$ 1,199,101,137	\$ 3,899,592,625	
			NA	50%	42%	37%	15%		
Less: Pharmacy Cost Offsets									
A) Individuals With Other Coverage (20% of pop. Receive \$25/mo)			\$ 59,969,650	\$ 92,268,348	\$ 133,710,292	\$ 186,232,228	\$ 217,513,127		20% of People with Coverage (less: \$25/mo)
B) Utilization Reduction Due To Cost Sharing (5%)		5%	17,905,352	26,867,982	38,116,408	52,134,832	59,955,057		
C) \$3 Copayments		3%	11,857,312	15,935,944	20,248,558	24,805,587	25,549,754		
D) Maximum Benefit Adjustment		\$1,750 Per Year	27,238,555	45,669,985	71,639,637	106,171,505	131,609,186		Threshold = \$1,750
E) Drug Manufacturers' Rebate		17%	47,639,448	71,097,963	100,385,248	136,736,029	156,677,602		
Subtotal - Pharmacy Cost Offsets			\$ 164,610,317	\$ 251,840,222	\$ 364,100,143	\$ 506,080,181	\$ 591,304,727		
Net Pharmacy Expansion Costs			\$ 193,496,732	\$ 285,519,417	\$ 398,228,015	\$ 536,616,461	\$ 607,796,411	\$ 2,021,657,036	
Subtotal With Waiver			\$ 2,352,853,939	\$ 2,562,077,842	\$ 2,798,265,266	\$ 3,066,737,262	\$ 3,274,948,639	\$ 14,054,882,948	
Net Savings			\$ (84,046,949)	\$ (48,806,899)	\$ (14,189,378)	\$ 17,322,803	\$ 141,418,898	\$ 11,698,475	

Backing Documentation And Explanations

General Assumptions

- * Cost data is estimated using FY01 Medicaid for clients age 65 and over.
- * Population estimates are derived from Census data estimates for this population.
- * Cost Inflatons are derived from historical data. Population inflators are derived from historical data adjusted for the current AABD population expansion currently being undertaken by Illinois Medicaid.

Footnotes

- A) The 2000 Current Population Survey (Census Data) estimates that 23% of seniors below 250% of FPL and not on Medicaid are covered by Employer/ Union health coverage. Private Health Insurance purchased directly (including Medigap) covers an additional 20% of these individuals. For purposes of our analysis, IDPA assumed everyone currently purchasing private insurance would drop it in favor of this benefit package. Further, to be conservative in our analysis, the 23% with employer-sponsored coverage is scaled back to 20% while all cost sharing is, effectively, paid by IDPA.
- B) The recipient cost per year data used throughout this analysis was derived from FY01 Medicaid data. Specifically, all drug claims for Medicaid individuals age 65 and over who were not institutionalized were tallied and divided by the period of time these same individuals were enrolled. The resultant cost per member serves as a proxy cost for the target waiver population. However, IDPA subsequently reduces this number by 5% to account for the reduction in utilization that will occur when the benefit goes from a free good (Medicaid) to one that is rationed (waiver - cost sharing). A January 2001 article by Robyn Tamblyn, PhD, et.al. entitled *Adverse Events Associated With Prescription Drug Cost-Sharing Among Poor And Elderly Persons* finds that following the introduction of cost sharing, prescription drug usage declined 9.12% in elderly persons.
- C) Copayments that average \$3 per prescription are assumed. We estimate that when full enrollment is reached that 8 million prescriptions annually will be filled through this waiver.
- D) This proposed waiver will incorporate a Limit Threshold which, once exceeded, will require the participant to pay 20% of all costs. This limit is \$1,750. Cost calculations were developed using the Medicaid proxy data and adjusted annually to incorporate estimated drug inflation.
- E) The Department anticipates that the Drug Manufacturers' rebate for this program will be similar to the current Medicaid rebate rate.